



## Interim Report Q1 2004

# Business review

- **Increased output volume and net profit**
- **Further growth in output volume and earnings planned for 2004**
- **Sale of investment in Hills Motorway Sydney**

In the first quarter of 2004, Bilfinger Berger continued the positive development of last year.

First-quarter output volume increased by 18% to €1,354 million, while the order backlog rose by 13% to €6,254 million. Orders received in the total amount of €1,333 million attained a level approximately equal to output volume, but were 11% below the figure for the first quarter of 2003. The figure for the prior-year period was affected by the acceptance of a major project by Civil and the conclusion of a significant long-term framework agreement by Services.

As is the case every year, the Group's first-quarter earnings are significantly lower than the results of the following quarters due to seasonal effects specific to our business. However, the operating result (EBITA) improved to -€5 million (Q1 2003: -€9 million), confirming the forecast of higher earnings for the full year 2004.

As a result of higher net cash, we broke even on our net interest result, compared with -€3 million in Q1 2003. In accordance with the new regulations of the International Accounting Standards Board (IASB), which took effect on March 31, 2004, goodwill is no longer amortized. These two effects compensated for the lack of investment income due to the sale of our Buderus shares in the middle of last year (in the first quarter of 2003, investment income made a substantial profit contribution of €6 million). As a result, there were also improvements in first-quarter earnings before taxes (EBT), from -€9 million to -€5 million, and in the first quarter net result, from -€5 million to -€3 million.

## Key figures for the Group

€ million	Q1 2004	Q1 2003	Δ in %	Year 2003
Output volume	1,354	1,151	+18	5,586
Orders received	1,333	1,498	-11	5,605
Order backlog	6,254	5,513	+13	6,277
EBITA	- 5	- 9	+44	+101
EBT	- 5	- 9	+44	+86 <sup>1</sup>
Net profit	- 3	- 5	+40	+50 <sup>1</sup>
Earnings per share (€)	- 0.09	- 0.14	+36	1.37 <sup>1</sup>
Cash earnings according to DVFA/SG	11	6	+83	152
Capital expenditure	53	18	+194	271
thereof, property, plant and equipment	13	18	-28	88
thereof, financial assets	40	0		183
Employees	49,557	49,817	-1	50,460

<sup>1</sup> Adjusted for exceptional effects totaling +€76 million after taxes from the sale of our Buderus shares.

## Financial situation and capital structure form a sound foundation for further corporate development

Our equity ratio was an unchanged 32% at the end of March, while cash and marketable securities amounted to €745 million. Liabilities to banks – excluding project financing on a non-recourse basis – amounted to €161 million. We thus have

substantial financial resources available for further strategic acquisitions, equity investments in new BOT projects, or a potential share buyback.

Capital expenditure on property, plant and equipment decreased to €13 million, while financial investments increased to €40 million, primarily due to the payment of our equity investment into the concession company in Australia, Victoria Corrections, and the acquisition of the remaining shares in Australia's Abigroup. Since March 1, 2004, we have held all of the shares in this company, which specializes in civil engineering and road construction; the total investment volume amounted to €114 million. In April, as planned, Abigroup sold its 8.1% stake in the listed highway company Hills Motorway, resulting in a cash inflow for Abigroup of 96 million Australian dollars, or about €58 million, after the reporting date.

#### **Number of employees remains constant**

The number of Bilfinger Berger Group employees remained fairly constant compared with the first quarter of 2003. Whereas the workforce requirement decreased in the construction business, there was an increase in the number of persons employed in Services.

#### **Further increases planned for output volume and earnings**

The development of the Bilfinger Berger Group in the first quarter of 2004 makes us optimistic for the rest of the year. Following last year's increase in output volume, for full-year 2004 we plan another significant increase in output volume, to €6 billion. We expect to increase our operating profit and pre-tax profit at a higher rate than our output volume. Net profit will also surpass the prior-year level, adjusted for exceptional items and goodwill amortization.

#### **Our shares have further potential for increase**

Bilfinger Berger's shares rose by 85% in 2003, outperforming all of the relevant indices. This value growth continued in the first quarter of this year, and is evidence of the continued attractiveness of our stock for investors in Germany and internationally, even though the share price was not immune to the general stock market trend after the reporting date. Nearly all financial analysts who rate our shares have made a "buy" recommendation on them. Rising profitability, a sound capital structure and financial position, the consistent implementation of our corporate strategy and, not least, an attractive dividend yield are decisive factors that continue to give our shares potential to go higher in the future.

# Developments by business segment

Bilfinger Berger's segment reporting reflects the Group's range of activities. Since the beginning of the year, the Concessions business segment has consisted solely of our private-sector concessions activities, while environmental activities have been allocated to the Civil business segment. For reasons of comparability, the prior-year figures have been adjusted accordingly.

## Output volume by business segment

€ million	Q1 2004	Q1 2003	Δ in %	Year 2003
Civil	527	438	+ 20	2,189
Building and Industrial	444	407	+ 9	1,920
Services	357	270	+ 32	1,363
Concessions	43	20	+ 115	107
Consolidation, other	- 17	16		7
	<b>1,354</b>	<b>1,151</b>	<b>+ 18</b>	<b>5,586</b>

## EBITA by business segment

€ million	Q1 2004	Q1 2003	Δ in %	Year 2003
Civil	- 4	- 5	+ 20	+ 45
Building and Industrial	- 3	- 4	+ 25	+ 6
Services	+ 5	+ 4	+ 25	+ 47
Concessions	+ 1	+ 1	0	+ 3
Consolidation, other	- 4	- 5	+ 20	0
	<b>- 5</b>	<b>- 9</b>	<b>+ 44</b>	<b>+ 101</b>

### Civil

The Civil business segment's increase in output volume and order backlog is primarily due to the consolidation of our new Australian subsidiary, Abigroup. Orders received were lower than in the prior-year period; this was a statistical effect caused mainly by our receiving a very important contract – for the Cross City Tunnel in Sydney – in the first quarter of 2003.

There was a serious accident on the Maumee River Bridge construction site in the United States, and some of the work has been halted until the investigations are finished. The estimated additional costs have been provided for in the quarterly operating result, which nevertheless improved to -€4 million (Q1 2003: -€5 million).

We expect the Civil business segment's output volume for the full-year 2004 to increase to around €2,400 million. According to current forecasts, earnings will at least equal the level of 2003 despite the additional costs caused by the accident.

### Building and Industrial

Output volume, orders received and order backlog in the Building and Industrial business segment all developed positively in the first quarter of 2004. The operating result improved to -€3 million (Q1 2003: -€4 million).

Bilfinger Berger U.K., formerly active in low-margin commodity building construction in Great Britain, is winding up its business. Sufficient provisions were already made in the financial statements of 2003 to complete still-unfinished projects. In the future, we will concentrate on our successful private-sector concessions business in Great Britain.

For full-year 2004, we expect the Building and Industrial business segment's output volume to rise to €2,050 million, with a distinct improvement in earnings.

### Services

Both output volume and order backlog increased significantly in the Services business segment. This is due in part to the expansion in industrial services, but also to the consolidation of Centennial, the

## Key figures for Civil

€ million	Q1 2004	Q1 2003	Δ in %	Year 2003
Output volume	527	438	+20	2,189
Orders received	511	658	-22	2,169
Order backlog	3,087	2,815	+10	3,102
Capital expenditure on P, P & E	7	13	-46	51
Earnings (EBITA)	-4	-5	+20	+45
Employees	24,251	26,602	-9	25,541

## Key figures for Building and Industrial

€ million	Q1 2004	Q1 2003	Δ in %	Year 2003
Output volume	444	407	+9	1,920
Orders received	492	424	+16	1,899
Order backlog	1,998	1,688	+18	1,917
Capital expenditure on P, P & E	2	0		5
Earnings (EBITA)	-3	-4	+25	+6
Employees	8,874	7,481	+19	8,615

## Key figures for Services

€ million	Q1 2004	Q1 2003	Δ in %	Year 2003
Output volume	357	270	+32	1,363
Orders received	354	448	-21	1,464
Order backlog	1,118	923	+21	1,121
Capital expenditure on P, P & E	4	4	0	31
Earnings (EBITA)	+5	+4	+25	+47
Employees	15,746	14,515	+8	15,612

## Key figures for Concessions

€ million	Q1 2004	Q1 2003	Δ in %	Year 2003
Output volume	43	20	+115	107
Orders received	16	11	+45	198
Order backlog	250	179	+40	278
Capital expenditure on financial assets	13	0		1
Earnings (EBITA)	+1	+1	0	+3
Employees	54	23	+135	50

U.S. company we acquired in autumn 2003. Orders received were at the same level as output volume, but lower than the level of the same quarter last year, when the figure was boosted by a far-reaching framework agreement for the maintenance of drilling rigs in the North Sea. Earnings increased to €5 million.

We anticipate an increase in output volume for the Services business segment in 2004 to the neighborhood of €1,550 million. The good level of earnings achieved in 2003 will be significantly surpassed.

## Concessions

The Concessions business segment operated successfully in the first quarter, with earnings at the same level as in the year-earlier period.

At the beginning of March, a consortium led by Bilfinger Berger was chosen as the preferred bidder for a private-finance initiative to build and operate a new school complex in the English city of Coventry. A few weeks earlier, contracts took effect for the financing, planning, construction and operation of two schools in the county of Bedfordshire. Furthermore, another consortium under Bilfinger Berger's leadership was selected as the preferred bidder for clinics and doctors' centers in Liverpool and London. In Australia, we have successfully extended our build-operate-transfer (BOT) activities to public-sector building construction. West of Melbourne, we are realizing two prisons in the form of a private-sector model together with our Boulderstone Hornibrook subsidiary. The equity investment of €13 million made in the period under review was the payment of our equity share into the concession company for this project.

For the Concessions business segment, we anticipate a positive profit contribution and the further extension of our activities to additional projects with an attractive return on capital employed.

# Interim financial statements

We prepared the interim financial statements on the first quarter of 2004 according to the principles of the International Accounting Standards Board (IASB), London, as we did the year-end financial statements for 2003. The accounting and valuation methods explained in the notes to the 2003 consolidated financial statements were again applied

with just one exception: We have already adopted the new regulations on business combinations (IFRS 3), with effect from January 1, 2004. For this reason, we no longer amortize goodwill. Instead, the carrying values of goodwill are subjected to impairment tests at least once a year.

## Consolidated income statement

€ million	Q1 2004	Q1 2003
Sales revenues / changes in inventories	1,227	985
Other operating income	25	17
Cost of materials	-758	-581
Personnel expenses	-358	-300
Depreciation	-21	-19
Other operating expenses	-120	-111
<b>EBITA (earnings before interest, taxes and goodwill amortization)</b>	<b>-5</b>	<b>-9</b>
Goodwill amortization	0	-3
<b>EBIT (earnings before interest and taxes)</b>	<b>-5</b>	<b>-12</b>
Income from investments	0	6
Net interest result	0	-3
<b>EBT (earnings before taxes)</b>	<b>-5</b>	<b>-9</b>
Taxes on income and earnings	2	4
Minority interests	0	0
<b>Net profit/loss</b>	<b>-3</b>	<b>-5</b>
Average number of shares in thousands	36,719	36,362
Earnings per share, basic (€)	-0.09	-0.14
Earnings per share, diluted (€)	-0.09	-0.14

The increase in the income and expense items resulted from the consolidation of companies acquired at the end of 2003, particularly Abigroup and Centennial.

First-quarter EBITA is always negative due to seasonal effects typical for our business, but it improved to minus €5 million this year (Q1 2003: -€9 million). As stated above, the voluntary application of IFRS 3 means that there is no more goodwill amortization as of this year. EBIT is thus equal to EBITA. Following the sale of our Buderus shares in the middle of last year, there is no longer any income from this investment; prior-year period there had been a significant contribution of €6 million to net profit.

Due to the higher net cash, we broke even on our net interest result compared to -€3 million in the prior-year quarter.

The discontinuation of goodwill amortization and the improved net interest result compensated for the lack of investment income caused by the sale of our Buderus shares and also contributed to an improvement in EBT to -€5 million, compared to -€9 million in the same quarter a year earlier.

After deferred taxes are factored in, the net loss of €3 million was an improvement from the net loss of €5 million in the prior-year period.

## Consolidated balance sheet

€ million	March 31, 2004	Dec. 31, 2003
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible assets	318	300
Property, plant and equipment	562	540
Financial assets	167	172
	<b>1,047</b>	<b>1,012</b>
<b>Current assets</b>		
Inventories	422	371
Receivables and other assets	1,157	1,095
Cash and marketable securities	745	900
	<b>2,324</b>	<b>2,366</b>
<b>Deferred tax assets</b>	<b>119</b>	<b>105</b>
	<b>3,490</b>	<b>3,483</b>
<b>Liabilities and shareholders' equity</b>		
<b>Shareholders' equity</b>	<b>1,115</b>	<b>1,111</b>
<b>Minority interests</b>	<b>16</b>	<b>25</b>
<b>Provisions</b>		
Provisions for pensions	92	90
Other provisions	481	454
	<b>573</b>	<b>544</b>
<b>Liabilities</b>		
Liabilities to banks <sup>1</sup>	333	343
Other liabilities	1,399	1,404
	<b>1,732</b>	<b>1,747</b>
<b>Deferred tax liabilities</b>	<b>54</b>	<b>56</b>
	<b>3,490</b>	<b>3,483</b>

<sup>1</sup> Thereof, non-recourse credits of €172 million (December 31, 2003: €162 million)

## Consolidated statement of cash flows

€ million	Q1 2004	Q1 2003
Cash earnings according to DVFA/SG	11	6
Change in working capital	-98	-161
<b>Cash flow from operating activities</b>	<b>-87</b>	<b>-155</b>
<b>Cash flow from investing activities</b>	<b>-48</b>	<b>-20</b>
<b>Cash flow from financing activities</b>	<b>-22</b>	<b>0</b>
Change in cash and marketable securities	-157	-175
Other adjustments to cash and marketable securities	2	-4
Cash and marketable securities at January 1	900	772
<b>Cash and marketable securities at March 31</b>	<b>745</b>	<b>593</b>

The cash flow from operating activities again improved significantly compared with the prior-year period, but is still negative at minus €87 million (Q1 2003: -€155 million) due to an increase in working capital typical for this quarter. The main reason for this is a rise in inventories and receivables.

The cash flow from investing activities is dominated by investments in financial assets, especially the acquisition of the remaining shares in Abigroup (€22 million) and the payment of the equity investment into the concession company for Victoria Corrections in Australia (€13 million).

The cash flow from financing activities consisted of repayment of debts in an amount of €22 million.

## Statement of changes in shareholders' equity

€ million	Subscribed capital	Additional paid-in capital	Retained earnings	Other comprehensive income <sup>1</sup>	Unappropriated retained earnings	Total
<b>Balance at January 1, 2003</b>	<b>109</b>	<b>522</b>	<b>355</b>	<b>-11</b>	<b>36</b>	<b>1,011</b>
Contributions to capital	0	0	0	0	0	0
Dividend distributions	0	0	0	0	0	0
Net profit	0	0	-5	0	0	-5
Other changes	0	0	1	-7	0	-6
<b>Balance at March 31, 2003</b>	<b>109</b>	<b>522</b>	<b>351</b>	<b>-18</b>	<b>36</b>	<b>1,000</b>
<b>Balance at January 1, 2004</b>	<b>110</b>	<b>522</b>	<b>445</b>	<b>-14</b>	<b>48</b>	<b>1,111</b>
Contributions to capital	0	0	0	0	0	0
Dividend distributions	0	0	0	0	0	0
Net profit	0	0	-3	0	0	-3
Other changes	0	0	1	6	0	7
<b>Balance at March 31, 2004</b>	<b>110</b>	<b>522</b>	<b>443</b>	<b>-8</b>	<b>48</b>	<b>1,115</b>

<sup>1</sup> Currency translation and reserves from the fair valuation of securities and hedges.



## Financial calendar

2004

**August 18** Interim Report Q2 2004  
**November 18** Interim Report Q3 2004

2005

**March 31** Press conference on financial statements  
**March 31** Analysts' conference  
**May 19** Annual General Meeting\*

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